

Message Text

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ACTION OPIC-06

INFO OCT-01 EA-07 ISO-00 EB-08 AID-05 COME-00 TRSE-00

CIAE-00 INR-07 NSAE-00 /034 W

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 5092

INFO AMEMBASSY SEOUL

C O N F I D E N T I A L BANGKOK 17806

EO 11652: GDS

TAGS: EINV, TH

SUBJ: GULF AND WESTERN OPIC INSURANCE APPLICATION FOR THAI ZINC

REF: STATE 185630 (NOTAL)

1. EMBOFF ON AUG. 9 REVIEWED STATUS OF, AND PROSPECTS FOR, THAI ZINC (T-Z) PROJECT WITH GENERAL MANAGER (GM) NEIL ASHDOWN. HE IS VETERAN AUSTRALIAN AINC MINING EXECUTIVE WHO HAS BEEN T-Z'S GM SINCE EARLY 1975.

2. WITH REGARD SECURITY ISSUE RAISED REFTTEL, MINOR POCKET OF ARMED COMMUNIST TERRORISTS (CT) HAS EMERGED IN MOUNTAINS SOUTHEAST OF MAE SOT IN LAST 12 MONTHS, AND PROVINCIAL AUTHORITIES BELIEVE THIS GROUP WAS RESPONSIBLE FOR FATAL AMBUSH OF FIVE BORDER PATROL POLICEMEN IN JEEP ON MAE SOT-UMPHANG ROAD 40 KILOMETERS SOUTH OF MAE SOT ON AUG. 6. ALL FIVE POLICEMEN WERE KILLED AND JEEP BURNED. NONETHELESS, ASHDOWN BELIEVES, AND EMBASSY AGREES, THAT, ALTHOUGH CT COULD WITHOUT DOUBT MAKE NUISANCE RAIDS ON ORE ROUTE FROM MAE SOT TO TAK, VIABLE CT THREAT TO ROAD DOES NOT NOW EXIST AND PROBABLY WILL NOT EXIST IN FORESEEABLE FUTURE.

3. ACCORDING ASHDOWN, MORE IMPORTANT THAN CT THREAT TO ABILITY TO MOVE ORE OVERLAND IS NEED TO PAY FOR "PROTECTION" AGAINST RACKETEERS WHO PREY ON MINING FIRMS IN ALL PARTS OF COUNTRY. SUCH
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"PROTECTION" PAYMENTS--SOMETIMES, IN SOUTH, TO CT UNITS WE BELIEVE--ARE IN FACT LOOKED ON AS NORMAL COST OF DOING MINING BUSINESS IN THAILAND. ASHDOWN NOTED THAT T-Z HAS FOR SEVERAL YEARS RETAINED MAYOR OF MAE SOT AS ADVISOR ON SECURITY AND THAT MAYOR'S VIEWS HAVE PROVED TRUSTWORTHY IN PAST--THAT FIRM WILL NOT EXPERIENCE DIFFICULTY IN TRUCKING ORE OVER MAE SOT-TAK ROAD "SO LONG AS THE RIGHT TRUCKING COMPANY GETS THE CARTAGE CONTRACT." AS FOR THE

FUTURE, WE ASSUME THAT, SHOULD CT SEEK TO MOUNT THREAT TO MINING OR TRUCKING OPERATIONS, RTG WOULD FOR REASONS OF PRESTIGE AS WELL AS SELF-INTEREST DECIDE TO PROVIDE ADEQUATE PROTECTION FOR PROJECT.

4. AS FOR ENVIRONMENTAL ASPECTS, ASHDOWN SAID COMPANY INTENDS TO CONSTRUCT DAM TO PREVENT RUNOFF FROM MINE FROM SILTING UP RIVER AT BASE OF MOUNTAIN WHERE MINE IS LOCATED. DAM WILL NOT ONLY PROTECT RIVER, BUT FIRM CAN RECLAIM ORE FROM SILT BEHIND DAM.

5. MR. ASHDOWN SAID THAT NEW JERSEY ZINC (NJZ) HIRED MR. FRANK TYE AS NEW MANAGING DIRECTOR (MD) SPECIFICALLY TO ACHIEVE BREAK-THROUGH IN NEGOTIATIONS WITH RTG. HE SAID NJZ OFFICIALS HAD BECOME CONVINCED THAT T-Z'S LONGSTANDING PROBLEMS WITH RTG WERE PERSONAL RATHER THAN TECHNICAL OR LEGAL AND WERE LARGELY OF MR. SPONAUGLE'S OWN MAKING. WITH REGARD NEW MD'S BACKGROUND, MR. ASHDOWN SAID MR. TYE, WHO WILL RETURN TO BANGKOK NEXT WEEK FROM THREE-WEEK TRIP TO U.S., HAS LONG EXPERIENCE IN TEXAS OILFIELDS AND IN MINING IN SOUTH AMERICA, PARTICULARLY BOLIVIA. MR. ASHDOWN OPINED THAT MR. TYE WILL MOVE ON TO OTHER WORK NOW THAT CONTRACT HAS BEEN SIGNED WITH RTG.

6. MR. ASHDOWN SAID T-Z IS PROCEEDING WITH PLANS TO SHIP 19,500 TONS OF ORE TO FIRM IN WEST GERMANY AND ADDITIONAL 16,000 TONS TO NJZ. REVENUES OF APPROXIMATELY \$3.5 MILLION WILL, UNDER AGREEMENT WITH RTG, BE DEPOSITED IN ESCROW BANK ACCOUNT IN BANGKOK
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FOR USE IN PAYING SMELTER CONSTRUCTION COSTS. MR. ASHDOWN ADDED THAT T-Z HAS RETAINED WHA SHIN INDUSTRIES CORP. OF SOUTH KOREA AS GENERAL CONTRACTOR AND BUILDER FOR SMELTER.
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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